

Message Text

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ACTION EB-07

INFO OCT-01 ISO-00 AGR-05 CEA-01 CIAE-00 COME-00 DODE-00

FRB-03 H-02 INR-07 INT-05 L-03 LAB-04 NSAE-00 NSC-05

PA-01 AID-05 CIEP-01 SS-15 STR-04 ITC-01 TRSE-00

USIA-06 PRS-01 SP-02 OMB-01 AF-08 ARA-06 EA-07 EUR-12

NEA-10 FEA-01 IO-13 OIC-02 /139 W
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TO SECSTATE WASHDC 2281

INFO AMEMBASSY SANTIAGO

USMISSION EC BRUSSELS

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E.O. 11652: N/A

TAGS: GATT, ETRD

SUBJECT: MALTED BARLEY ITEM FOR GATT COUNCIL

REF: GENEVA 7042

1. ITEM FOR SEPTEMBER 17 GATT COUNCIL DEALING WITH EC EXPORT REFUNDS ON MALTED BARLEY, A COMPLAINT BY CHILE, WAS MENTIONED IN PARA 3 OF REFTTEL. WE NOW HAVE CHILEAN GATT DOCUMENT (L/4392 OF 8 SEPTEMBER), WHICH CONTAINS FOLLOWING ADDITIONAL DETAILS. EC REGULATIONS IN QUESTION ARE NUMBERS 1602/76 AND 1603/76, BOTH DATED 1 JULY 1976, IN WHICH THE EC ESTABLISHED AMOUNTS OF REFUNDS ON EXPORTS OF MALTED BARLEY. EC FIRST BEGAN PROGRAM IN FIRST HALF 1975, AND CHILE HAS FOUND THAT EC SALES ARE ENCROACHING ON CHILE'S ESTABLISHED MARKETS ELSEWHERE IN LATIN AMERICA. CHILE STATES THAT THE COST OF A METRIC TON OF BARLEY IS \$160 PLUS AN ADDITIONAL \$130 FOR INDUSTRIAL PROCESSING, YET EC EXPORTERS HAVE OFFERED MALTED BARLEY AT \$165 PER TON, C.&F. VALPARAISO. ALSO CHILE STATES THAT COM-
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BINED EXPORT CAPACITY FOR MALTED BARLEY OF NINE EC MEMBER

COUNTRIES DOES NOT EXCEED 800,000 TONS ANNUALLY, YET EXPORT CERTIFICATES WERE ISSUED FOR 1,800,000 TONS IN 1975. CHILE, ARGENTINA, URUGUAY COMPLAINED TO EC IN FEBRUARY 1976; EC REJECTED COMPLAINT BUT PROMISED CHANGES IN SYSTEM TO AVOID MARKET DISTORTION. IN ADDITION, LATIN AMERICAN DELEGATES MEETING RECENTLY WITH COMMUNITY STATED THAT VARIOUS EXPORT PRODUCTS OF THEIR COUNTRIES-- NOT JUST MALTED BARLEY--WERE ENCOUNTERING DIFFICULTIES IN TRADITIONAL MARKETS BECAUSE OF APPLICATION OF CERTAIN COMMUNITY MECHANISMS (UNSPECIFIED) THAT OPERATE AS EXPORT SUBSIDIES.

2. DOCUMENT GOES ON TO STATE THAT MOST RECENT REGULATIONS HAVE REDUCED AMOUNT OF EC REFUNDS ON MALTED BARLEY BUT THAT REDUCTION IS SO SMALL THAT SITUATION IS VIRTUALLY UNCHANGED. CHILE THUS BRINGS MATTER TO ATTENTION OF COUNCIL AS VIOLATION OF ARTICLE XVI OF GATT.

3. IF UNITED STATES INFORMATION CORRESPONDS WITH ABOVE ALLEGATIONS, AND IF U.S. ALSO HAS EXPORT INTEREST IN MALTED BARLEY, WE SHOULD TAKE OCCASION OF SEPTEMBER 17 GATT COUNCIL TO JOIN IN EXPRESSION OF CONCERN AND CALL FOR MODIFICATION OF ANY SUBSIDY PROGRAMS. CATTO

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